

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01
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ALSO PASS OPIC FOR MANSBACH

E.O. 11652: N/A
TAGS: ETRD, UY
SUBJ: SECTION 201 INVESTIGATION: NON-RUBBER FOOTWEAR

REF: (A) STATE 003125, HTKB) POTTER IPS ARTICLE ARF-108
DATED JANUARY 7, 1977, (C) MONTEVIDEO 089

1. SUMMARY: SHOES ARE NOW SECOND ONLY TO LEATHER WEARING APPAREL IN IMPORTANCE AS URUGUAYAN EXPORT TO THE U.S. GOU AND PRESS EXPRESSING CONCERN THAT URUGUAY DOES NOT APPEAR ON LIST OF THOSE COUNTRIES RECEIVING TARIFF QUOTAS UNDER SYSTEM OF IMPORT RESTRAINTS RECOMMENDED BY THE ITC TO THE PRESIDENT. GIVEN COMMISSION'S REPORTED INTENTION TO STUDY ADJUSTMENT OF QUOTAS TO PERMIT COUNTRIES LACKING SIZEABLE 1974 EXPORTS TO U.S. TO PARTICIPATE IN THE SYSTEM, URUGUAY SEEKS ASSURANCE THAT IT WILL BE TREATED EQUITABLY WITH COUNTRIES ALREADY ON PROPOSED QUOTA LIST. END SUMMARY

2. SHOES ARE NOW SECOND ONLY TO LEATHER WEARING APPAREL IN IMPORTANCE AS URUGUAYAN EXPORT TO THE U.S.
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CONSEQUENTLY, GOU AND PRESS ARE FOLLOWING NON-RUBBER FOOTWEAR ISSUE CLOSELY. INFORMATION AVAILABLE TO THEM TO DATE ON PLAN RECOMMENDED BY THE COMMISSION INDICATES THAT WHILE MAJOR PRODUCERS WILL FIND PRESENT 10 PERCENT AVERAGE TARIFF APPLYING TO APPROXIMATELY TWO THIRDS OF CURRENT EXPORT LEVELS, NEWCOMER URUGUAY WAS NOT EVEN INCLUDED IN LIST OF

COUNTRIES ASSIGNED QUOTAS TO WHICH RELATIVELY MORE FAVORABLE PRESENT TARIFFS WOULD APPLY. IF URUGUAY WERE TO BE REQUIRED TO ABSORB PROPORTIONATELY EQUAL TARIFF LOAD AS MAJOR PRODUCERS, THAT WOULD APPARENTLY REQUIRE ASSIGNING THE COUNTRY A QUOTA OF ABOUT 1.3 MILLION PAIRS -- TWO THIRDS (265/400 PAIR RATION) OF 1976 LEVEL OF EXPORTS TO THE U.S. OF 2.0 MILLION (LOCAL INDUSTRY FIGURES). THIS FIGURE IS FULLY HALF OF RESIDUAL QUOTA AVAILABLE UNDER COMMISSION PROPOSAL AND URUGUAYAN INTERESTS AND WE QUESTION WHETHER SMALL TOTAL AVAILABLE TO NEWCOMERS WILL PERMIT SUCH EQUITABLE TREATMENT. REF (C) ASSURANCE THAT MARKET WILL NOT BE "CLOSED" TO URUGUAY HAS BEEN QUESTIONED IN ABSENCE OF SOME INDICATION THAT EQUAL TREATMENT WILL BE AVAILABLE TO RELATIVELY SIZEABLE INVESTMENT IN URUGUAY SHOE PRODUCTION.

3. EMBASSY HAS DRAWN ON REFS (A) AND (B) TO RESPOND TO PRESS AND GOVERNMENT. URUGUAYANS MAY FIND COMFORT IN CONTENT OF PENULTIMATE PARAGRAPH IN POTTER ARTICLE WHICH STATES THAT THE COMMISSION HAS RECOMMENDED "THAT THE COMMISSION INITIATE INVESTIGATIONS TO DETERMINE IF CERTAIN ALLOCATIONS SHOULD BE RELAXED TO ALLOW NEW ENTRANTS INTO THE MARKET." EMBASSY ALSO UNDERSTANDS THAT UNDER PROVISIONS OF TRADE ACT, HEARINGS ON THE PROPOSED RESTRAINT PROGRAM WILL TAKE PLACE WHICH WILL ALLOW URUGUAY TO PRESENT ITS VIEWS, WE WOULD APPRECIATE GUIDANCE ON THIS POINT. WE WOULD ALSO APPRECIATE THE FOLLOWING INFORMATION AS SOON AS POSSIBLE:

(1) ACTUAL CUSTOMS DATA ON URUGUAYAN SHIPMENTS TO THE U.S. DURING THE LAST THREE YEARS (LOCAL ESTIMATES: 1974, 120,000 PAIRS; 1975, 1.1 MILLION PAIRS; 1976, 2.0 MILLION PAIRS);

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MILLION PAIRS);

(2) DATA ON WHAT COUNTRIES ARE ALSO IN "NEW ENTRANT" CLASS AND THEIR EXPORTS TO THE U.S. IN 1975-76 (IN WHICH THE GOU HAS SPECIAL INTEREST);

(3) BASED ON THE ABOVE, WHAT IS URUGUAY'S ESTIMATED SHARE LIKELY TO BE OF THE "ALL OTHER" RESIDUAL AND HOW WILL THE SYSTEM OPERATE FOR COUNTRIES LACKING SUBSTANTIAL 1974 SALES TO THE U.S. WILL IT BE FIRST COME OR WILL SOME OTHER SYSTEM BE OPERATIVE?

(4) SINCE A RELATIVELY HEAVIER BURDEN SEEMS IMPLICIT IN THE SYSTEM RECOMMENDED BY THE COMMISSION WITH RESPECT TO NEW ENTRANTS TO THE U.S. MARKET, HOW MUCH WEIGHT CAN WE EXPECT TO BE GIVEN TO THE COMMISSION'S RECOMMENDATION THAT IT UNDERTAKE AN INVESTIGATION TO DETERMINE IF NEW ENTRANTS SHOULD BE GIVEN PARTICIPATION IN THE MARKET.

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